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CONCOR

Azadi Ka Amrit Mahotsav

भारतीय कंटेनर निगम लिमिटेड
बहुविध संभारतंत्र कंपनी
(भारत सरकार का नवरत्न उपक्रम)

Container Corporation of India Ltd.
A Multi-modal Logistics Company
(A Navratna CPSE of Govt. of India)

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Dear Sir/Madam,

विषय : **Disclosure under SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015.**

Pursuant to applicable provisions of SEBI (LODR) Regulations, 2015, please find enclosed transcript of Post results conference call held on 24.01.2023.

For your information and record please.

धन्यवाद।

भवदीय,
कृते **भारतीय कंटेनर निगम लिमिटेड**

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Container Corporation of India
Q3 FY23 Earnings Conference Call

Event Date / Time : 24/01/2023, 14:30 Hrs.
Event Duration : 50 mins 16 secs

CORPORATE PARTICIPANTS:

Mr. V. Kalyana Rama
Chairman and Managing Director
Mr. P.K. Agrawal
Director (Domestic)
Mr. Sanjay Swarup
Director (International Marketing & Operations)
Mr. Ajit Kumar Panda
Director (Projects & Services)
Mr. Harish Chandra
Executive Director (Finance) & Company Secretary

Ms. Bhoomika Nair
DAM Capital

Q&A PARTICIPANTS:

1. **Atul Tiwari** : Citi Group
2. **Amit Dixit** : Edelweiss
3. **Achal Lohade** : JM Financial
4. **Ashish shah** : Centrum Broking
5. **Gazal Guptha** : JM Financial
6. **Mukesh Saraf** : Avendus Spark
7. **Vikram Suryavanshi** : Philip Capital
8. **Kaundinya** : JP Morgan
9. **Indrajit Bhatia** : HDFC Securities
10. **Deepak Krishnan** : Macquarie
11. **Adithiya** : Kotak Securities
12. **Pulkit Bhatini** : Goldman Sachs

Moderator

Good afternoon, ladies and gentlemen. I am Vidya, moderator for the conference call today. Welcome to CONCOR Q3 FY23 earnings conference call, hosted by DAM Capital Advisors Limited. As a reminder, all participants will be in listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star then zero on your touch tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Ms. Bhoomika Nair from DAM Capital. Thank you and over to your Ma'am.

Bhoomika Nair

Yeah, thank you. Good afternoon, everyone. Welcome to the Q3 FY23 earnings call of Container Corporation of India. We have the management today being represented by Mr. V. Kalyana Rama, Chairman and Managing Director. I'll hand over the floor to him for his initial remarks post which we will open up the floor for Q&A. Over to you, Sir.

V. Kalyana Rama

Yeah, thank you Bhoomika. Good afternoon, everyone. Thank you for being with us for the post results conference call. This quarter, we had both mixed bag with us. It's a little difficult in Exim sector, we had the quarter some numbers dropping. Margins, there was a little pressure on margins. In domestic we did well and overall, yes, there will be pressure on margin because domestic margins are differently not as good as Exim margins. As we all know, because within India, logistics are very competitive logistics competing with the road. So, the overall margin figures have come down a little bit, but the good thing is domestic growth is continuously there, as we see in last year 30% plus growth,

This year we are seeing the same growth continuing 30% plus. But again, the difficulty in this scenario is that we are having now our resource constraint. We are not able to add new containers, new rakes because of some geopolitical problems, which restricted us from importing containers from China. So, even though, we got good demand for domestic containers, we got stuck up at 37000 containers. So, we are running a program to develop container manufacturers and Atma Nirbhar Bharat as all of you know that we released lot of container manufacturing orders, 18,000 container orders we released. But as all of us know any ecosystem to develop will take time and **[Hindi Patch 00:02.47]** out of 18,000 order, even though we supposed to get almost as per the schedule given in the tenders 9,000 containers but we could get only 100 to 150 containers.

But on the demand side if I see and how many more containers are required at this moment is something like another 20,000. So, 37,000 today we are owning. So, we can own now around 60,000 containers and all these containers will be utilized fully well. So that's sort of demand is there. So, the overall scenario is very positive and you look at the macro picture it is very positive outlook for any Indian logistics companies and particularly for your company CONCOR, it is very

very bright future where in the next 4-5 years, we are expecting a lot of growth in domestic and the important part which we all of us here should know the domestic revenue which used to be 20% of total revenue in the year 2015-16 and that was traditional 80-20 mix of the total revenue. Today it is come in this quarter to 65-35 and it will further grow.

So domestic now, to protect our margins what we are doing is we are adding the value-added services very aggressively into the domestic market. FMLM is already there which we are continuously trying to increase our numbers into FMLM. Now, we are going to give that including providing FMLM along with the warehousing & transportation, we are now trying to do the complete business solution and that we want to bring into the domestic sector. We are offering this complete business solutions to some of the major industries like government side FCI, we are providing the business solutions service, jute industries we are providing business solution service there it is from business to government, B2G service that one. So, we are providing a business solution service there. So, our endeavour is to increase this.

So, for that now we are trying to add more resources, we are now trying to add LNG trucks The issue is under very active consideration, so we will be experimenting with LNG transfers at our major hub Kathuwas and then we will be expanding it to all the terminals. So, all these new things we are bringing it to add because the demand is there in domestic and also to encourage more and more domestic traffic into containers and to add the value-added services and to make it a complete business solution, which will increase our margins. So, that the overall margin pressure will not be too much.

As I mentioned to you last time, as domestic increases there will be definitely pressure on margin which I think this time every analyst is maybe all of you also calculated and everyone is commenting on overall margin has gone down by around 200 to 300 basis points. The reason is that. But in domestic the bulk cement which we started, and we started the commercial runs during this quarter is picking up very well. Till date we almost completed 50,000 tons of domestic bulk cement movement. The market is huge. Because of again the resource constraint we are not going aggressive into this. As soon as we will add some more containers, we are working on that to add some good number of containers in the next quarter itself.

So, as it happens, I will let all of you know how much we added and how we added. Now to give any details on that will be too premature. So, I'm not sharing anything on that with you guys. But once we add, there is a huge demand in bulk cement and bulk cement is a complete business solution model and we are working on that. As of now, FMLM we are not into that sector, but we will add FMLM into that sector to make a complete business solution. So, this is the domestic scenario and the Exim side, yes, we have started seeing drop in our share particularly at two ports, one Mundra port in imports we got our share drop and in Pipavav in exports where our shares got dropped.

We analyzed and now we introduce new schemes in the month of November and the scheme on the import side is one plus one and the export side obviously that export will be followed of more imports and the empty repositioning and all of you know that empty repositioning scheme of 50%

it is giving, and it is giving good results to us. Now with one plus one scheme which we give with everyone extra import load given by the shipping we are giving them one free transport of empty repositioning transport to hinterland land and discounted repositioning terminal to terminal. So, this scheme in December has given us very good results. So, when I see December month as separate from the quarter. In December our volumes picked up at all the ports, Mundra and Pipavav. At both our share started going up and I'm expecting this trend will continue because in January also we are seeing the same traction continuing in the ports.

So, we are hopeful that this scheme started working and this scheme has generated lot of interest on all our customers. So, we are hopeful that we will be getting back our share and as all of you know we will not be going for price war to get any share. We will not reduce our margins, that is our principle, and we stand by that. So, without giving away the margins we are now trying to come back with the VDS schemes and let me tell you all the VDS schemes are net positive VDS schemes for the company for long. That is how we design, it is a win-win situation for both the customer and for the company. So, this is in EXIM Q4 expecting that we will be able to get back some of the lost share and we will be able to get good numbers in Q4.

On revenue side as you see because domestic, we did very well overall revenue we are positive and the PAT side we are positive. Yes, on that absolute numbers we are positive but on the percentage wise margins when we look at it yes as I already explained there is dip in the percentage margin. Otherwise, as I said macro scenario is very good, very bright future. So, I don't see any problem. And some of the other important interesting parameters which many of you ask, let me give you those numbers. Double stack, we are doing very well. we already crossed 3000 double stack trains in this year for the 9 months. And this year, we are expecting to cross more than 4000 trains in that regard.

We are doing double hub Swarupganj has really picked up as the second hub. So almost all the JNPT volumes, they are bringing and doing the double stack. So, at Kathuwas, it is doing extremely well. So double stack side, there's a good growth and as planned things are moving on. On the rake reduction because of the geopolitical constraint and the increased demand in the railway sector, we are not getting the wheel and axle. So, we now started working on our native resources and we are establishing supply chain. And we are hopeful that the supply chains will get established into 2-3 months' time. It's not very long for supply chain establishment. So, with that we are hopeful we will be able to start adding rakes from the first quarter of the next financial year.

So, this year, our program of adding around 45 to 48 rakes got really hit and that is showing us and we are under severe constraint to meet all that demand, because Exim we are losing percentage but today the position is that our rakes are not available to meet the demand from the Exim and from the domestic and I already told you about the domestic container. Equipment, same issue equipment read-stackers again because of the geopolitical problem we are not able to import from China, Indian manufacturers are not able to meet the demand. So, we are working out various methods. It is premature to share with you at this moment what are the strategies but

as and when we were able to finalize it, we will definitely share with you the details of how we did this.
So, we are working on increasing our handling machines, containers, rakes. I'm sure in the next quarter itself we will be able to find solutions. So that for the next financial year we are positioned very well to meet the increased demand, increasing demand and all the expected demand without losing any customer and maintaining the customer satisfaction with our motto of customer value. Thank you. You can start the question and answers.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad. And wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles. First question comes from Atul Tiwari from Citi Group. Please go ahead with your question.

Atul Tiwari

Yes, thanks a lot. Sir, could you share the originating Exim volumes and domestic volumes?

Sanjay Swarup

For Q3, the originating Exim volume was 465107 TEU's and domestic volume was 1,09,479 TEU's, total 5,74,586 TEU's.

Atul Tiwari

Okay Sir, and it looks like that the decline in originating volume on the Exim side was almost like 15% YoY and you did refer to some loss of market share so what could be current market share on the Exim side and can you give some more color on who is gaining market share in the industry and you did refer to some measures that you have taken without loss of margins. So, how does that work? How do you collect gain back market share without seeking some margin. So, any color on that will be useful.

V. Kalyana Rama

Tiwari, I already told you in the total market share we lost over the last financial year, if I look at the 9 months figure is 2.84% though in million tons that is in million tons. So, a market share in Exim we lost around 4%. It was 62.7, it has come down to 58.3 when I look at all. There are two factors in this which I repeatedly tell you guys that in JNPT there's a short lead traffic which we are not interested so if we leave out the short lead traffic where there are no margins at all, our share increased at JNPT we have gone up by 3% from 76.3 to 79.75% that is 80%, what we used to do.

Mundra, we lost lot of volume, we have lost, we have come down from 45 to 38 and in Pipavav also when I put both import export together, we lost percentage. Now, in import side I already explained you what scheme we have given. They're giving one plus one, after a threshold of import volume for any additional import load shipping line give me, I will be allowing one empty free transport from port to the land or discounted transport between terminal to terminal. But when we do the schemes, we do it net positive schemes. You understand what is net positive, I think?

Atul Tiwari

Yes.

V. Kalyana Rama

So, when it becomes net positive there is no loss.

Atul Tiwari

Okay Sir, thank you.

Moderator

Thank you. So, the next question comes from Amit Dixit from Edelweiss. Please go ahead with your question.

Amit Dixit

Hi. Good afternoon, everyone and thanks for taking my question. I have a couple of questions. The first one is on the margin trajectory you mentioned that the domestic revenue would be 35% in the future and will grow further. So, can you share with us the margin trajectory, usually our margins have been.

V. Kalyana Rama

We are not going to do any forecasting on margins, but as and when domestic margins we work around 18% and in Exim we work with the margins of almost 26%. So, when the domestic volume goes and domestic numbers keep growing, so there will be pressure on the total margin and absolute numbers it will increase but, on the percentagewise if you see the margins will be coming down. Our top level will be growing bigger than our bottom line.

Amit Dixit

Okay Sir got it. The second question is on the empty running cost if you can share for this quarter between Exim and domestic port.

V. Kalyana Rama

Empty running cost for the quarter you want. Empty running cost for the Q3 is Exim 37 crores and domestic 97 crores.

Amit Dixit

Okay Sir thank you so much and all the best.

Moderator

Thank you, Sir. The next question comes from Achal Lohade from JM financial. Please go ahead with your question.

Achal Lohade

Thank you for the opportunity. Sir, when it comes with employee cost can you help us understand there is an increase **[inaudible 00:18.43]** employee cost or is it a recurring cost.

V. Kalyana Rama

The employee cost whenever there is increase there is definitely one of benefits passed on to our employees. Because now our work force, I think we be the best clean and lean company in the logistic sector whether you compare it with anybody. So, the employee cost increases because of basic pay increase that and DA increase what happens that comes over the QoQ. They'll be increasing so every quarter there's a DA increase and basic 3% increases for everyone that regular increase will be there and last quarter we have given a good incentive to all our employees. So that incentive also is there in this. So, these two things, one of benefit is the incentive to the employees and the other thing is the regular increase of basic pay.

Achal Lohade

To give **[inaudible 00:19:54].**

V. Kalyana Rama

These are two small numbers for the analyst to quantify. It doesn't get any impact on the total figures. Employee cost increase, what is the increase you are seeing you tell me? How much increase you are seeing in 9 months? You know what is the increase given to the employees in 9 months?

Moderator

Sorry to interrupt you, Sir. There is background noise from your line. Can you just disconnect the line and come back in the queue Sir.

Achal Lohade

Am I audible now, it is 3%.

V. Kalyana Rama

If you analyze the employee benefit cost, do you know how much my absolute numbers employee benefit cost increased in 9 months.

Achal Lohade

Understood Sir. Any clarification on the other income which is at 113 crores. It is at 80% YoY, Sir.

Harish Chandra

The other income, we have the income from the deposits on investment which we get and then the rental incomes and the dividends we get from subsidiaries so there is always some variation from quarter to quarter. So that is the reason you know, some dividend we've got in this quarter then some rental income increases on this account there is increase in other income.

Achal Lohade

Understood and just a clarification as you said 18% margin for domestic and 26% for Exim was that at EBITDA level, EBIT level Sir?

V. Kalyana Rama

Yes.

Achal Lohade

It was at EBIT level, Sir.

V. Kalyana Rama

EBIT level.

Achal Lohade

Got it. Thank you so much. I'll come back in the queue.

Moderator

Thank you, Sir. So, ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. The next question comes from Ashish Shah from Centrum broking. Please go ahead with your question.

Ashish shah

Thank you. Good afternoon, Sir. So, my question is on the EBIT margin for the Exim business. So, you did say that in December we have introduced certain schemes and they would be you know, margin accretive or at least they won't you know deplete the margin. Then why would the margin in Q3 would be lower than let's say the previous margins is it only because of the decline in the volume or there could be some other reason?

V. Kalyana Rama

You are saying Exim margin separately or overall margin?

Ashish Shah

Exim margin Sir, when I look at the Exim EBIT margins for the segment.

V. Kalyana Rama

Overall **[inaudible 00:23:02]** you are talking of EBIT margins, isn't it?

Ashish Shah

Exim margin, Sir.

V. Kalyana Rama

What are your number, let me have your numbers that you are talking of?

Ashish Shah

Sir in the Q2, we had EBIT margin of 25.2% for the Exim segment, in Q3 we have 23.3 in the Q1 quarter it was 24.4. So, I'm referring to the absolute EBIT is 295 crores for the Q3 whereas it was around 320 and 330 for Q1 and Q2.

V. Kalyana Rama

So, in the EBIT margins, the one factor which affected are the increase in the empty running which happened in this quarter and that there is drop in volume. So, we lost some of the long lead traffic, which we are carrying and East Coast, we don't lose much of traffic because there is not much of competition, so the competition comes only on the West Coast so West Coast is long lead traffic so there is a slight dip. You are talking of a dip of 37 crores.

Ashish shah

Right, got it Sir. Sir, secondly just a little bit on the Capex numbers. So, how much we would have done for the 9month period and what would be the Capex target for this year and possibly maybe next year as well.

V. Kalyana Rama

Capex, there are constraints, I think I talked lengthy about the constraints what we are facing isn't it? So Capex program, a lot of Capex we want to spend on containers and rolling stock and handling equipment and all the 3 things we are having constraints. So, in fact I think 2-3 quarters back, when I said we are going to spend the Capex of almost 10,000 crores of program I think analyses got worried how this much of Capex is getting spent? It will be spent, see that is the demand available in the market for the logistic sector. But today because of the constraints, we are not able to spend this thing on these 3 things. So whatever Capex is being spent on only on the general development.

Ashish shah

Right, Sir any number you could leave us with for this year and next year?

V. Kalyana Rama

Till now we could spend 220 crores.

Ashish Shah

Okay, fine. Sir, last question on the LLF side. So, we have been doing roughly 95-96 crores a quarter. Where would we be ending 23 with, it would be around 400 crores or because earlier we have probably given a range of 400-450.

V. Kalyana Rama

This question I answered many times. There is no change in my answer it is 450 crores we take for our Balance Sheet. Yes, it is 450 crores. There will be adjustments in the last quarter because there is some calculations which railways will be doing, we will be doing. So, you have to you know to do these lot of adjustments in the last quarter. So, we always keep that figure 450 crores, please take that for your analysis because see the analysis will not change for 10-20 crores. Some of the questions people are asking me what 10-20 crores whether it will increase or decrease. On a PAT where we are projecting a PAT of 1200 crore for this year, does it change anything with the 10-20 crores here and there?

Ashish shah

Right Sir, it won't change. Got that sir. I just wanted that indicative number of 450. Thank you.

Moderator

Thank you, Sir. So, the next question comes from Gazal Guptha from JM financial. Please go ahead.

Gazal Guptha

Hi Sir, thanks for taking my question. I just have one question on the rail freight expenses. So if I look at it as a percentage of sales usually in the past the range has been 54-55 %, but for this quarter it is 57% approximately. So just wanted to understand why this increase is there for this particular quarter.

V. Kalyana Rama

Railway has withdrawn two discounts one 25% of empty movement discount and 5% on loaded movement discount.

Gazal Guptha

Okay, that's all for my end. Thank you.

Moderator

Thank you, Ma'am. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. The next question comes from Mukesh Saraf from Avendas Park, please go ahead.

Mukesh Saraf

Good afternoon and thank you for the opportunity. My first question is relating to the market share loss that you had mentioned. Could you just give us some sense on the reason for this market share loss? Is it just pricing competition from competitors? Or are there some other reasons?

V. Kalyana Rama

Mainly pricing competition. People are working with almost nil margin basis, so we never do that.

Mukesh Saraf

Okay.

V. Kalyana Rama

As I mention number, we started picking up our market share.

Mukesh Saraf

Alright. Understood Sir and secondly, what would be the rail freight margins for us in the quarter?

V. Kalyana Rama

Rail freight margin this quarter is 25.3%.

Mukesh Saraf

25.3, okay. So, first half it was around 26.5 % so if there is kind of.

V. Kalyana Rama

There is an empty running cost is increasing because I already mentioned that I had to do lot of stack-up of rakes and methods to meet the demand from customers. Second railway has withdrawn the discounts given for empty movement and loaded movement port.

Mukesh Saraf

So, we will be passing through this to end customers which might take some time.

V. Kalyana Rama

This is long back, this is not now. This is withdrawn 6 months back. We are not passing on. See our pricing is totally market driven, it has nothing to do with railway pricing.

Mukesh Saraf

Okay, because previously you had mentioned that it might take some time for the pass through to get into effect. It might it take 6-9 months.

V. Kalyana Rama

My pass through will be market driven, that's what I'm telling you. My pricing is market driven, all market can take, and I feel that I can increase prices without losing my market share. I'll do that

Mukesh Saraf

Sure, right. Alright Sir, thanks a lot for this.

Moderator

Thank you, Sir. So, the next question comes from Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi

Yes, good afternoon, Sir. Some questions are already answered, but just for bookkeeping, can you get a lead distance for Exim and domestic for this quarter?

V. Kalyana Rama

Exim lead is 676 domestic is 1370.

Vikram Suryavanshi

Okay and Sir basically in fact you mentioned double stacking trains will cross more than 4000 this year, but what was the number for this Q3 number.

V. Kalyana Rama

Q3 number is 880.

Vikram Suryavanshi

With this increase in double stacking, are we able to get the advantage which can compensate for a pressure on the role of these discounts and all and maintain the margin with or to what extent we can have further scope for increase in the double stacking trains which can really relieve some pressure on the market.

V. Kalyana Rama

Last year we did double stacking of 3700. This year we talking double stacking of 4000 plus. So the increase in double stack will not be very high to you know take care of the margin slog because of the increase in the rail freight by the Indian Railways.

Vikram Suryavanshi

Got it and since we are seeing very strong growth in our domestic market. So how is the development happening for 3rd party or contract logistics services what we were planning. So, how is that pick up in these kinds of business opportunity?

V. Kalyana Rama

Which one contract?

Vikram Suryavanshi

End to end logistics services what we are looking for domestic operations with partnership and all.

V. Kalyana Rama

All the programmes like I was talking about movement of bulk in containers, we already started the cement, and it is really picking up very well. It is a very successful solution doing cement in normal GP containers. We already moved as I mentioned 50,000 tons till now, but we are not aggressively going on because of our constraints and our assets and DLC distribution logistics centers, we are pursuing that and it will definitely come out. We are now almost working on giving at least per OH. End to end now FMLM services, we established. Now we are working on giving to you a solution, a complete solution to customers from end-to-end logistics.

Vikram Suryavanshi

Okay Sir, thank you very much.

Moderator

Thank you, Sir. So, the next question comes from Kaundinya from JP Morgan. Please go ahead.

Kaundinya

Yeah, hi Sir. Thanks for the opportunity. Sorry, I got disconnected briefly, I'm not sure if you have already answered this question. Apologies from asking it again. Just looking at the railway charge you know, if I look at it on a per sales basis or on per TEU basis, it looks slightly high. Is it all alone due to the discontinuation of discounts by railways? Or is there something else that I should relate into it?

V. Kalyana Rama

It is because railway withdrawn the discount. So, we are not changed, we are not increased our rates. So, railway charges will increase. Our rail freight margins will slightly decrease.

Kaundinya

So, in that case, is our number that we're seeing Q3 a sustainable number or can we see some sort of improvement or something on this?

V. Kalyana Rama

Which number?

Kaundinya

That 57% of sales or around 19,700 on per TEU basis.

V. Kalyana Rama

Which one? What is that margin you are talking of?

Kaundinya

Sir I am speaking about the railway charges on per sales when I look at the number that is around.

V. Kalyana Rama

I don’t do that analysis. Your analysis, you do everything I will not be doing. I do my own analysis. And I have given you the macro figure that the future is good and with that margins we will be able to maintain but with the domestic increase, EBITDA margins will little bit come down. Absolute numbers will increase.

Kaundinya

Okay, Sir. Secondly, on the Capex front if I look at that, you know, because this year we couldn't do much of it. So, what is?

V. Kalyana Rama

I already answered this question, but I think you got disconnected, for your benefit let me repeat it. In Capex front, there are 4 elements. One is rakes, containers, equipment, then IT, land and terminal development. So, the land and terminal development, in our original program itself, it's not very much because now we are now trying to develop a asset light model because CONCOR is in a position now to go for a franchisee model business, because of its name and its popularity and the reach we got.

On the equipment side, our containers, rollingstock there are geopolitical constraints, there are various constraints which are actually creating problem for us in our procurement programs. This year, we could not procure none of them. That capital expense we could not incur. So, this year, even though we projected 650 crores around Capex program, we could spend only 220 crores in 9 months. So, we are working on, easing out these constraints for these 3-equipment container and rake procurement. We are hopeful that maybe we will be able to do something in the next quarter, then only the Capex will pick-up.

Kaundinya

Sure, Sir got it. Thank you very much.

Moderator

Thank you. So, the next question comes from Indrajit Bhatia from HDFC Securities, please go ahead.

Indrajit Bhatia

Hi Sir. Thanks a lot for the opportunity. Just one question. Since the new LLF policy has come out, would you want to share some insights as to what you think CONCOR would do with some of its more profitable terminals, would you want to go through a bidding kind of a system or want to retain this as existing LLF kind of structure?

V. Kalyana Rama

Our business is well set with the existing LLF model. So, we will not be doing any immediate changes in our LLF models. We will be continuously analyzing our scenarios. And if we feel that any place we can go for bidding, we will do that otherwise, that is a risky proposition and established business putting it to bid somebody can play a spoilsport with us.

Indrajit Bhatia

So that means in the base case, 450 crores and then on top of it whatever escalation described in LLF should be the number that we should work with.

V. Kalyana Rama

I can’t do a guess work for you, that is your job.

Indrajit Bhatia

Okay, no worries. Thank you, Sir.

Moderator

Thank you, Sir. The next question comes from Deepak Krishnan from McGuire. Please go ahead.

Deepak Krishnan

Thank you for the opportunity. Sir, I wanted to understand the rail coefficient at the 3 ports, JNPT Mundra and Pipavav

V. Kalyana Rama

Rail coefficient of the total port.

Deepak Krishnan

Of the three ports, so 18.2% at JNPT, 26% at Mundra and 70% was the rail share at each of these 3 ports. Could you give us a similar number for Q3?

V. Kalyana Rama

Q3 number is not available with me. I can give you for 9 months.

Deepak Krishnan

Sure 9 months number would also be fine.

V. Kalyana Rama

Then our people will explain to you. For 9 months, JNPT rail coefficient is 18.13%, Mundra 25.5% and Pipavav is 66.

Deepak Krishnan

Sure Sir, so maybe just a follow up question on this. So probably we have the DFC leg between say Rewari and Palanpur operational for the last 6 months odd. But we've not really seen any jump in rail coefficient, or you know rail originating volumes and as a result even your originating volumes. Anything that you would want to attribute as to you know, why originating volumes are decreasing when DFC is getting commissioned?

V. Kalyana Rama

I am not able to correlate the things what you're asking me.

Deepak Krishnan

Sir, your Exim volumes are down 15% originating.

V. Kalyana Rama

My Exim volumes are down, I already given reasons why they are down. The whole business in India is going through some you know, the import export volumes are not grown as we thought of isn't it?

Deepak Krishnan

Yes Sir.

V. Kalyana Rama

So, rail coefficient, if somebody is feeling that the DFC comes, it will jump just like that it will not. So, the ecosystem development also will take time. There is a trend of moving from road to rail in certain sector where DFC is serving. That much I can share with you, guys.

Deepak Krishnan

Okay Sir, that was my question. Thank you for the opportunity.

Moderator

Thank you, Sir. The next question comes from Adithiya from Kotak securities, please go ahead.

Adithiya

Yes, Sir. Good afternoon, everyone and thank you for the opportunity. So, you did share about the Mundra market share for the company at about the 38%. What will number of Pipavav for you the market share for Q3?

V. Kalyana Rama

I got the full 9 months figure. I don’t maintain quarter wise figure because that doesn't matter to me. My total overall 9 months figure to Mundra is 39% and for Pipavav is 48%.

Adithiya

You said 28% right. Okay Sir these numbers have

V. Kalyana Rama

I have not said 28, for Mundra it is 39 and for Pipavav it is 48.

Adithiya

48, okay. So, the second question was that there has been some amount of meaningful decline happening in Pipavav and in Mundra and you are saying that reversal is happening in December. Can we completely recoup whatever market share we have lost over the last one year? Have you seen that happening in December and January?

V. Kalyana Rama

In one quarter, entire thing for the 3 quarters well, whether I will do it or not, is I don't want to do a guess work on that. But when I see the reversal, that is a good thing for me. When I can see a reversal without cutting out my margin, that is the best thing I can do. And that is the best thing any company can achieve.

Adithiya

Understood Sir. So, the next question that I had was more on these announcements that we are hearing of ICDs coming up near your ICDs. So, let's say in the Dadri in Moradabad and in Jaipur or Kanakapura, there are competing terminals coming up. Just wanted to get a sense from you whether that would lead to.

V. Kalyana Rama

Look Aditya, these are early guess work questions which you people try to give, you know some sort of forecasting. See what I can share with you when I took over CMD in 2016 a long back, there were announcements that there will be 35 MMLPs will be made by some different government agencies. Now, can you tell me how many MMLPs come up till now?

Adithiya

It’s not been agreed going for them? Yeah.

V. Kalyana Rama

How many of them up? You follow the sector very closely.

Adithiya

I don’t want to guess but a small number.

V. Kalyana Rama

So, these guess work questions know, let them come. See we got our own strategies. So, whenever we face competition, we know how to withstand the competition.

Adithiya

I was just coming to this question, Sir, that given the fact that there is a market share decline is there a rethink on the pricing front or not, or will there be a rethink on the pricing front or not? Will there be a rethink on the way we price on a certain margin for our services?

V. Kalyana Rama

We do our pricing, see it is not when I am telling that I come up with some scheme one plus one scheme, is it not pricing scheme? Is it something different?

Adithiya

This is something, fair point.

V. Kalyana Rama

Whenever I do a pricing scheme, I mentioned this, we do a net positive pricing scheme. So that I will not tell you how we do it. But that is our specialty we never lose margins because of any these prices.

Adithiya

Fine Sir, just a last question from my side, are all ambiguities linked to the land license fee policy from the railway is completely cleared now, Sir? Are there still some ambiguities that you have to clarify?

V. Kalyana Rama

There is no ambiguity. On railway side the land license policy is now clear. And that is why I answered one of the questions which you must have heard, that our figure LLF for this year is 450 crores. Other than we are completely putting 450 crores on the balance sheet or less or a little more that depends on the final adjustments of the land values, by railways or by us because we depend on Revenue Authorities to give us the land values.

Adithiya

Yes, I'm also assuming that when you are saying that, on this dichotomy whether to go to 1.5 or 6 at least rules are very clear. Whether you want to go for 1.5 and bid for it is a separate thing, but there is no ambiguity over there. Right?

V. Kalyana Rama

There is no ambiguity, there are certain conditions in that. If any issue, then it is our call whether we take that or not. So as a settled business, where I am running this company well, giving a PAT of 1200 crores for this FY, expected PAT why should I take a risk, established business putting on a block, so I will take a call, the management will take a call and discuss with our board of directors that is what I mentioned.

Adithiya

Thank you, Sir. This was really helpful. Thank you for their thoughts on my questions.

Moderator

Thank you. So, the next question comes from Pulkit Bhatini from Goldman Sachs. Please go ahead.

Pulkit Bhatini

Thank you. Firstly, originating volumes I completely missed it was spoken so fast. If I could have the numbers again, please.

V. Kalyana Rama

You send a mail we will give you.

Pulkit Bhatini

Please tell us because the mails don't get answered. It will be helpful, it just two numbers I'm asking.

V. Kalyana Rama

Do personal mail to me. If your mails are not getting answered, you write a personal mail to me.

Pulkit Bhatini

Okay, I'll do that Sir. Secondly, given that you mentioned that it takes time to develop the ecosystem, is it fair to assume that next year also our Capex is going to be much lesser than the typical run rate that we are envisaging?

V. Kalyana Rama

We are going to develop the ecosystem next quarter, we are confident of that.

Pulkit Bhatini

So, our Capex for FY 24, that we should be building in should be in the range of?

V. Kalyana Rama

Next FY.

Pulkit Bhatini

Yes Sir, the next FY.

V. Kalyana Rama

Will be good number.

Pulkit Bhatini

Okay Sir.

V. Kalyana Rama

So, I will not give so much in advance any numbers you know, that so it will be definitely good number.

Pulkit Bhatini

Okay Sir, thank you.

Moderator

Thank you, Sir. We have a follow up question from Achal Lohade from JM Financial, please go ahead.

Achal Lohade

Thank you for the follow up Sir. If you could help on 9 months FY'23 in terms of JNPT, Mundra & Pipavav.

V. Kalyana Rama

Already given, these numbers you send a mail.

Achal Lohade

Alright Sir, and just a clarification on the margins. You said the EBIT margins for domestic segments you kind of target 18% for the Q3 FY23 that margin is closer to 6%. So just sort of understanding you know how much?

V. Kalyana Rama

What 6%, where you got this 6% I don't know? We work on EBIT margins of 18% in Domestic.

Achal Lohade

Sir 43 crores on 718 crores of.

V. Kalyana Rama

This is not the platform. You sent your mail and our Finance Director and ED, Finance will answer all your questions.

Achal Lohade

Sure, Sir will do that. Thank you.

V. Kalyana Rama

Okay now the questions are over you can close the conference

Moderator

Okay Sir, thank you. Now I hand over the floor to Ms. Bhoomika Nair from Dam Capital for the closing comments.

Bhoomika Nair

Yes Sir. Thank you very much for giving us an opportunity to host you and also answering all the queries. Thank you to all the participants and wishing you all the best.

Moderator

Thank you, Ma'am. Thank you, Sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening everyone.

Note:
1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words